

# Requesting & Managing FSA Funds

## CHAPTER 2

*Except for funds received as an administrative cost allowance (ACA), FSA funds received by a school are held in trust by the school for students and the Department. The cash management regulations discussed in this chapter establish rules and procedures that a school must follow in requesting and managing FSA Program funds. These rules and procedures also apply to third-party servicers.*

### OVERVIEW OF G5 SYSTEM

Schools use the G5 payment system to request payments, adjust drawdowns, and report expenditures. G5 also provides continuous access to current grant and payment information, such as authorized amounts, cumulative drawdowns, current award balances and payment histories.

A school's **authorization** is the amount of FSA funds a school is eligible for in the year and program in question. The authorization is called the Current Funding Level (CFL). Please note that in Direct Loan and TEACH Grant programs, you might also hear the authorization referred to as the Cash Control Account (CCA).

A school's **available balance** is the amount of cash available for a school to draw down through G5. The available balance is the difference between the authorized amount and the school's net drawdowns to date. A separate authorization is maintained for each program by award year.

A school may not request more funds than it needs immediately for disbursements the school has made or will make to eligible students and parents. Therefore, a school must make the disbursements as soon as administratively feasible, but no later than three business days following the date the school receives those funds.

If G5 accepts a school's request for funds, it will make an electronic funds transfer (EFT) of the amount requested to a bank account designated by the school.

### Chapter 2 Highlights

- Drawing down funds
- Maintaining & accounting for funds
- Excess cash
- Administrative Cost Allowance
- Fiduciary responsibility; escheating & garnishing prohibited
- Returning funds

### Self-assessment tool for fiscal management

You can evaluate your school's procedures by referring to "Fiscal Management" in the Managing Funds module of FSA Assessments at:  
<http://ifap.ed.gov/qahome/qaassessments/fiscalmanagement.html>.

## Funding methods

Cite: 34 CFR 668.162, except as noted.

### The Advance Payment method

Under the advance payment method, a school may submit a request for FSA funds after their funding levels have been established.

### Receiving Funds Under Heightened Monitoring

Schools that receive funds under the Reimbursement, Heightened Cash Monitoring 1 (HCM1), or Heightened Cash Monitoring 2 (HCM2) funding method do not receive an initial authorization. These schools receive an authorization once the COD System has accepted and posted actual disbursement records.

### IAS Grant disbursements

For the IAS Grant Program, schools will not submit actual disbursements in the 2011-2012 award year. In the IAS Grant Program, ED will provide schools with an "Exception-Based Process" through which schools will be funded when they submit anticipated disbursements (DRI = False).

### Supplemental Campus-Based Allocations

In the spring of the award year, schools can apply for and may receive a *Supplemental Allocation* – an additional amount of Campus-Based funds (funds reallocated from unused funds released by participating schools).

## DRAWING DOWN FSA FUNDS

### *Drawing down funds in the Direct Loan Program*

Generally, schools under the Advanced Funding method receive Initial Direct Loan authorizations in late spring of the previous award year. Initial authorizations are based on a school's expenditures in those programs during the previous award year, and an Electronic Statement of Account (ESOA) containing this information is sent to each school's Student Aid Internet Gateway (SAIG) mailbox.

As a school submits actual Direct Loan disbursement records, the COD System will apply the total accepted and posted amount for each disbursement to the amount of the school's initial authorization. The school's authorization will be increased to cover additional accepted and posted disbursements when the initial authorization has been exceeded. A new ESOA will be sent to the school each time its authorization changes.

### *Drawing down funds in the Pell, TEACH, and Iraq Afghanistan Service Grant programs*

There will be no Initial Authorizations for the Pell, TEACH, and Iraq Afghanistan Service Grant programs for the 2011-2012 Award Year. The school's authorization for these programs will be based on the accepted and posted actual disbursement records schools submit to the COD System. A new ESOA will be sent to a school's SAIG mailbox each time a program's authorization changes.

### *Drawing down funds in the Campus-Based programs*

The Department awards Campus-Based funds to a school for an upcoming award year on the basis of *The Application to Participate* portion of the *The Fiscal Operations Report and Application to Participate* (FISAP). The way in which schools request Campus-Based funds from G5 will vary depending on the funding method under which schools operate. In all cases, a school may not request funds in excess of the actual disbursements it has made or will make to students (plus any Administrative Cost Allowance (ACA), if applicable).

Note: For the Campus-Based programs, schools do not report individual disbursements in COD. Therefore, a school's allocation of Campus-Based funds is not revised during the year unless the school receives a supplemental allocation (see sidebar).

See *Volume 6, Chapter 1* for more information on applying for and receiving Campus-Based funding.

## Heightened Cash Management

The Department places a school on Reimbursement or Cash Monitoring if it determines there is a need to monitor strictly the school's participation in the FSA programs. Under these payment methods, the Department releases funds to the school after the school has made the disbursement to the student (or parent borrower).

A school on the Reimbursement or Heightened Cash Monitoring 2 (HCM2) funding method must complete and submit Standard Form 270 with each request for reimbursement. (Note that a school may only submit one such request for reimbursement during any 30-day period.)

If a school is placed on reimbursement or HCM1 its administration of the reimbursement or cash monitoring payment method must be audited every year. The independent auditor engaged by the school to conduct its annual compliance audit must express an opinion in the audit report regarding the school's compliance with the reimbursement or cash monitoring requirements, as applicable.

### Reimbursement payment method

A school on Reimbursement must first disburse FSA program funds to eligible students and parents before it can request those funds from the Department. As part of its request, a school that has been placed on Reimbursement must:

- identify the students and parents for whom it is seeking reimbursement; and
- submit documentation demonstrating that each student and parent included in the request was eligible to receive, and received, FSA funds.

-After the reimbursement request is approved, the Department transfers electronically the appropriate amount of FSA funds to the bank account in which the school maintains its Federal funds.

### Cash Monitoring Payment Methods

Unlike the reimbursement payment method where a school must provide detailed documentation for each student to whom it made a disbursement, the Department may relax the documentation requirements under cash monitoring payment method and provide funds to a school in one of two ways:

1. **Heightened Cash Monitoring 1 (HCM1).** After a school makes disbursements to eligible students, it draws down FSA funds to cover those disbursements in the same way as a school on the advance payment method.
2. **Heightened Cash Monitoring 2 (HCM2).** After a school makes disbursements to eligible students, it submits only the documentation specified by the Department. The Department may tailor the documentation requirements for schools on a case-by-case basis.

If a school is placed on reimbursement or HCM1, its administration of the reimbursement or cash monitoring payment method must be audited every year. The independent auditor engaged by the school to conduct its annual compliance audit must express an opinion in the audit report regarding the school's compliance with the reimbursement or cash monitoring requirements, as applicable.

## Maintaining & accounting for funds

34 CFR 668.163

## Recordkeeping requirements

34 CFR 668.24

## Not applicable to some programs

The cash management requirements are not applicable to the state grant and scholarship programs. The Leveraging Educational Assistance Partnership Program (LEAP—formerly the State Student Incentive Grant [SSIG] Program), the Special Leveraging Educational Assistance Partnership (SLEAP), the Robert C. Byrd Honors Scholarship (Byrd) Program, and if a State is the grantee, the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) are administered under rules established by the states.

## Timely return of funds

Schools are required to make a timely return of any unearned funds after a student withdraws, as discussed in *Volume 5, chapter 2*.

## Bank notification via UCC-1 form

The requirement that a school file a UCC-1 statement when an account's name does not include the phrase *federal funds* was established to reduce the possibility that a school could misrepresent *federal funds* as its own funds to obtain a loan, or secure credit. Because public institutions generally do not seek to obtain credit in the same manner as private institutions, they are exempt from the requirement.

# MAINTAINING AND ACCOUNTING FOR FUNDS

All schools must maintain a bank account into which the Department transfers, or the school deposits, FSA funds. The account must be federally insured or secured by collateral of value reasonably equivalent to the amount of FSA funds in the account. A school generally is not required to maintain a separate account for each FSA program unless the Department imposes this requirement as a result of a program review or other action.

## *When a school does not maintain a separate account*

A school has a fiduciary responsibility to segregate Federal funds from all other funds and to ensure that Federal funds are used only for the benefit of eligible students. Absent a separate bank account, the school must ensure that its accounting records clearly reflect that it segregates FSA funds. Under no circumstances may the school use Federal funds for any other purpose, such as paying operating expenses, collateralizing or otherwise securing a loan, or earning interest or generating revenue in a manner that risks the loss of FSA funds or subjects FSA funds to liens or other attachments (such as would be the case with certain overnight investment arrangements or sweeps). Clearly, carrying out these fiduciary duties limits the ways the school can otherwise manage cash in an operating account when that account contains FSA funds.

If a school does not maintain a separate account for FSA program funds, its accounting and internal control systems must:

- identify the balance for each FSA program that is included in the school's bank or investment account as readily as if those funds were in a separate account; and
- identify earnings on FSA program funds in the school's bank or investment account.

A school must maintain its financial records in accordance with the recordkeeping requirements described in *Volume 2*.

## *Bank account notification requirements*

For each account that contains FSA program funds, a school must identify that FSA funds are maintained in the account by:

- including the phrase *Federal funds* in the name of the account, or
- notifying the bank or investment company of the accounts that contain FSA funds and keeping a copy of this notice in its records and, except for public institutions, filing a Uniform Commercial Code Form (UCC-1) statement with the appropriate state or municipal government entity that discloses that an account contains Federal funds.

The school must keep a copy of the UCC-1 statement in its records.

## ***Interest-bearing or investment account***

FSA funds must be maintained in an interest-bearing account or an investment account unless:

- the school drew down less than \$3 million of these funds in the prior award year and anticipates that it will not draw down more than \$3 million in the current award year, or
- the school can demonstrate that it would not earn over \$250 in interest on the funds it will draw down during the award year.

An investment account must consist predominantly of low-risk income-producing securities. If a school chooses to maintain Federal funds in an investment account, the school must maintain sufficient liquidity in that account to make required disbursements to students.

Any interest earned on FSA funds maintained in an interest-bearing account or an investment account that exceeds \$250 per award year must be remitted to the Department by June 30 of that award year (see sidebar). A school may keep up to \$250 per year of the interest or investment revenue earned (other than that earned on Perkins Loan funds) to pay for the administrative expense of maintaining the account.

## ***Additional Perkins Loan requirements***

A school that participates in the Perkins Loan Program must always maintain an interest-bearing account or an investment account for Perkins Loan funds. The school must maintain sufficient liquidity in its Perkins fund to make all required distributions.

If a school is also required to maintain an interest-bearing account or investment account for other Federal funds, the school may use one account for Perkins Loan funds and all other Federal funds. However, if the school chooses to maintain one account, it must determine the amount of any interest earned on the Perkins Loan funds and retain those funds for use in the Perkins program. The interest earned on the school's Perkins funds is not included in the \$250 maximum award year interest the school is permitted to retain.

A school may deduct from the interest earned any bank or service charges incurred as a result of maintaining the fund assets in an interest-bearing account and deposit only the net earnings.

If a collection agency or third-party servicer receives funds directly from Perkins borrowers, it must immediately deposit those funds in a school trust account. The agency or servicer may open and maintain the account, but the funds in it belong to the school. If the funds will be held for more than 45 days, the account must be interest-bearing.

## **Remitting Interest**

The fastest, most efficient way to remit interest is through the G5 website at

**<http://www.g5.gov>**

A school with a user ID and password can go to the main menu and select “**Refunds**” then “**Interest.**” They will be taken to the screens through which they can send ED interest.

Schools can also return excess interest income to ED by check. Send the check to:

**U.S. Department of Education  
P.O. Box 979053  
St. Louis, Missouri 63197-9000**

The school should note on the check the school's DUNS number and Document Award Number, and it should also indicate that the remittance is for interest earned.



## EXCESS CASH

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### Excess cash

34 CFR 668.166

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### Three-day rule

A school must disburse FSA funds as soon as administratively feasible but no later than three business days following the date the school received those funds.

### Cite

34 CFR 668.162(b)(3)

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### Excess cash rules

In general, excess cash is any FSA funds other than Perkins that are not disbursed by the end of the 3rd business day after funds are received from the Department.

### Cite

34 CFR 668.166

### Cite

34 CFR 668.167(b) and (c)

### Cite

34 CFR 668.58(c)

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### Excess cash tolerances

34 CFR 668.166(b)

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### When ED considers a check is issued if there's a finding

Generally, ED considers a check to be issued when the school mails the check to the student or parent or notifies the student or parent that a check is available for immediate pickup. However, upon finding that a school has maintained excess cash balances, the Department considers the school to have issued a check on the date that check cleared the school's bank account, unless the school demonstrates to the satisfaction of the Department that it issued the check to the student shortly after the school wrote that check.

As mentioned earlier, under the advanced payment method a school must disburse funds no later than three business days following the date the school receives them. The Department considers excess cash to be any amount of FSA funds, other than Perkins Loan funds, that a school does not disburse to students or parents by the end of the third business day following the date the school –

- received those funds from the Department; or
- deposited or transferred to its Federal funds account previously disbursed FSA funds received from the Department, such as those resulting from award adjustments, recoveries, or cancellations.

Sometimes a school cannot disburse funds in the required three days because of circumstances outside the school's control. For example, a school may not have been able to disburse funds because of a change in a student's enrollment status, a student's failure to attend classes as scheduled, or a change in a student's award as a result of verification. In view of these circumstances, a school may maintain some excess cash for up to seven additional days.

### *Allowable excess cash tolerances*

A school may retain for up to seven days an amount of excess cash that does not exceed one percent of the total amount of funds the school drew down in the prior award year. The school must return immediately to the Department any amount of excess cash over the 1% tolerance and any amount remaining in its account after the seven-day tolerance period.

The Department reviews schools to determine where excess cash balances have been improperly maintained. Upon a finding that a school has maintained an excess cash balance in excess of allowable tolerances, a school is required to reimburse the Department for the costs that the government incurred in making those excess funds available to the school.

Where excess cash balances are disproportionately large or where they represent a continuing problem with the school's ability to responsibly administer the FSA programs, the Department may initiate a proceeding to fine, limit, suspend or terminate the school's participation in one or more of the FSA programs. For more on fines and other actions against schools, see *Volume 2*.

## ADMINISTRATIVE COST ALLOWANCE (ACA)

The ACA is an annual payment calculated by ED and automatically deposited in the school's account to help offset the costs of administering the FSA programs. The Department reimburses schools participating in the Pell Grant Program \$5 per award year for unduplicated recipients at the school who receive a Pell Grant. For the Campus-Based Program, the ACA is taken from the school's federal allocation and the maximum amount permissible is up to 5 percent of the sum of the loans advanced in Perkins, the total earned compensation in FWS, and the total awards to recipients in FSEOG.

For the Campus-Based programs, the ACA is not a separate allowance sent to the school. Rather, the school has the option of taking its Campus-Based ACA out of the annual authorizations the school receives for the FSEOG and FWS Programs and/or from the available cash on hand in its Perkins Loan fund. A school may draw its allowance from any combination of Campus-Based programs, or it may take the total allowance from only one program provided there are sufficient funds in that program and as long as the school has disbursed funds to students from that program during the award year.

A school must use its administrative costs allowance to offset its cost of administering the Pell Grant, FWS, FSEOG, and Federal Perkins Loan programs. Administrative costs may include the expenses incurred in carrying out a school's student consumer information requirements. In addition, a school may use up to 10 percent of its ACA that is attributable to the school's expenditures under the FWS Program to pay the administrative costs of conducting community service programs.

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### Administrative Cost Allowance

34 CFR 690.10(b) and 34 CFR 673.7

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### Charging Perkins cost against ACA

If a school charges any ACA against its Perkins Loan fund, it must charge these costs during the same award year in which the expenditures for these costs were made.

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**Schools' fiduciary responsibilities**

34 CFR 668.14(b)(1) and 34 CFR 668.161(b)

## **USE OF FUNDS: PROHIBITION ON GARNISHMENT AND ESCHEATING**

### ***Fiduciary responsibility***

Except for funds received by a school for administrative expenses and for funds used for the Job Location and Development Program, funds received by a school under the FSA programs are held in trust for the intended student beneficiaries. As a trustee of those funds, a school may not use (or use as collateral) FSA funds for any other purpose.

FSA funds are awarded to a student to pay current-year charges. Notwithstanding any authorization obtained by a school from a student or parent, the school must pay:

- any remaining balance from loan funds by the end of the loan period; and
- other remaining FSA funds by the end of the last payment period in the award year for which they were awarded.

A school that fails to disburse funds by those dates is in violation of the Department's cash management regulations.

In addition, a school has a fiduciary responsibility to –

- safeguard FSA funds;
- ensure FSA funds are used only for the purposes intended;
- act on the student's behalf to repay a student's FSA education loan debt when the school is unable to pay a credit balance directly to the student; and
- return to the Department any FSA funds that cannot be used as intended.

### ***Garnishment of FSA funds is prohibited***

No FSA grant, loan, or work assistance (or property traceable to that assistance) is subject to garnishment or attachment except to satisfy a debt owed to the Department.

A student's FWS wages may be garnished only to pay any costs of attendance that the student owes the school or that will become due and payable during the period of the award. Schools must oppose any garnishment order they receive for any other type of debt.

By law, FSA funds may only be used for educational purposes. If your school is not the employer in an off-campus employment arrangement, it must have an effective procedure to notify off-campus employers that garnishment of FWS wages for any debt other than a cost of attendance is not permissible.

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**Garnishment/Attachment Prohibited**

HEA 488A(d)



## ***Prohibition on escheating***

A school must return to the Department any FSA program funds, except FWS Program funds, that it attempts to disburse directly to a student or parent if the student or parent does not receive the funds or cash the check. (For FWS Program funds, a school is required to return only the Federal portion of the payroll disbursement.)

A school must have a process that ensures FSA funds never escheat to a state, or revert to the school or any other third party. A failure to have such a process in place would call into question a school's administrative capability, its fiscal responsibility, and its system of internal controls required under the FSA regulations.

## ***Time frame for returning unclaimed funds***

If a school attempts to disburse the credit balance by check or EFT and the check is not cashed or the EFT is rejected, the school must return the funds no later than 240 days after the date it issued that check or made the EFT.

However, if a check is returned to a school, or an EFT is rejected, the school may make additional attempts to disburse the funds, provided that those attempts are made not later than 45 days after the funds were returned or rejected.

In cases where the school does not make another attempt, the funds must be returned before the end of the initial 45-day period.

The school must cease all attempts to disburse the funds and return them no later than 240 days after the date it issued the first check.

## **Example of a policy to prevent escheating**

Typically, each state establishes the useful life of a check or bank draft used to disburse FSA program funds. After this established date, the check cannot be negotiated and the proceeds of an uncashed check normally escheat to an unintended third-party (the state or the institution).

In state A, a bank check has a useful life of 180 days. In order to prevent FSA funds from escheating to a third-party, the Business Office at School A, at the end of each month, identifies all outstanding uncashed checks containing FSA funds. Prior to the 180th day, the Business Office voids the uncashed checks and restores the funds back to the applicable FSA program.

## **Time frame for returning unclaimed funds**

34 CFR 668.164(h)

## **Undelivered Perkins funds**

If a portion of the undelivered credit balance consists of Perkins funds, the school must reimburse its Perkins Loan fund for that amount and report those funds as other income in Part III, Section A of the FISAP.

## RETURNING FUNDS

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### Unpaid FWS Wages

If a school cannot locate a student to whom it owes FWS funds the student has earned, the federal portion must be returned to the school's FWS account.

If the student comes back or the school later locates the student, the school can recover the FWS funds as long as the account for that year is still open. If the account is closed, the school must pay the student (under the wage and hour laws) using its own funds.

There are a number of reasons why a school may have to return funds to the Department, including –

- the return of FSA funds required when a school must correct an overaward or an overpayment, and the return of funds required when a student withdraws or otherwise ceases attendance during a payment period or period of enrollment (The return of funds under these circumstances is discussed in *Volume 5*.);
- having FSA funds on hand with no expectation they can be disbursed to other eligible students within three days (excess cash);
- owing the Department for expenditures disallowed during a program review or audit;
- having earned interest on its Federal funds (other than in its Perkins account) in excess of \$250.00; and
- holding large Federal Perkins Loan cash balances on hand (COH) (on the FISAP).

Schools can return money to the Department (including excess interest) using the Electronic Refund Functionality in G5 for up to 10 years following the end of the award year. For complete instructions on returning funds through G5, see *The Blue Book* and the *G5 Refund Manual*.

*Only in exceptional circumstances should a school return funds by sending a check instead of using the electronic refund functionality in G5.*

### ***Returning funds by depositing them in a federal funds account***

For funds obtained from the Department, a school meets the Return requirement if it deposits or transfers the funds into its Federal account no later than 45 days after the school determined that a student withdrew or received an overpayment the school was responsible for returning (See *Volume 5 — Overawards, Overpayments, and Withdrawal Calculations*.)

If a school has not drawn down Federal funds or has made disbursements that exceed the amount the school has drawn, the school does not need to deposit funds in its Federal account. Of course, the school's accounting records must show that school funds were used to credit the student's account.

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### Returning funds by depositing them

34 CFR 668.173(b)

## ***When funds are considered to have been returned***

The Department considers a school to have returned FSA funds when the school has—

1. deposited or transferred the funds into its Federal funds account;
2. initiated an electronic funds transfer (EFT) to the Department; or
3. issued a check. A school has not satisfied this requirement until the bank used by the Department has endorsed and cancelled that check (processed it for deposit).

## ***Downward adjustment of FSA Grant disbursement records and Direct Loan disbursement records required***

Returns of FSA Grants funds (except FSEOG and Iraq, Afghanistan Service Grants ), other than funds that are being returned to stay in compliance with the excess cash requirements, must be offset by downward reductions in students records in COD. In addition, when all or a portion of a Direct Loan is cancelled (either because the borrower requested the cancellation within the regulatory timeframes or to comply with statutory or regulatory requirements) the school must make the appropriate adjustment to the student records in COD.

All returns of FSA Grants and Direct Loan funds previously disbursed (unclaimed credit balances) should be made through the G5 system.

## ***Returning funds from an audit or program review***

If, as a result of a program review or audit, a school is required to repay FSA funds, a copy of its Final Audit Determination Letter (FADL) or Final Program Review Determination (FPRD) letter is sent to ED's Receivables and Cash Receipts Team (RCRT), where an account receivable is established for the school. The Department will then, through its billing agent, bill the school for the disallowed expenditures, accrued interest, and penalties, if any. Payment instructions will be included with the bill.

- If a school owes ED \$100,000 or more, it must remit payment through its financial institution by FEDWIRE.
- If a school owes ED less than \$100,000, it must remit payment by check to ED's billing agent.

A school may not reduce amounts reported as net drawdowns on its G5 Activity Reports to account for expenditures disallowed as a result of an audit or program review. Any FSA funds returned for this purpose will not be credited to a school's G5 account.



### **Recommendation**

We strongly recommend returning funds electronically because this method is faster and more secure than manual/paper processing and less likely to result in errors. Note that refunds of cash greater than \$100,000 must be returned electronically via G5.

For additional information on returning funds via G5, refer to the G5 website or call the G5 Hotline at 888/336-8930 for assistance.



## **Returning DL funds that can't be disbursed within three days**

A school that has drawn down more funds than it can disburse due to changes in students' status between the drawdown and disbursement date would need to return the funds if they could not disburse them within the allowed time frame. However, such returns would not be offset by reductions in the students' records in COD.

## **Direct Loan Funds may be reawarded**



Direct Loan funds are not student-specific; they are program year-specific. This means that when all or a portion of a loan for a student is cancelled, the cancelled loan funds can be disbursed to another eligible student who is receiving a loan for that same Direct Loan program year.

If the funds cannot be disbursed within the regulatory timeframes, they must be returned to the Department via G5.

## Returning Funds by Check

(These instructions do not apply to returning funds from an audit or program review.)

If **exceptional circumstances** require that you return FSA funds by check, you must –

1. make the check payable to the U.S. Department of Education;
2. use a separate check for each award year; and
3. note the school's D-U-N-S number and the appropriate Program Award Number (Pell Grant Award Number) on the check.

The G5 lockbox address for FSA (excepting Direct Loan) funds is:

**U.S. Department of Education  
P.O. Box 979053  
St. Louis, Missouri 63197-9000**

If **exceptional circumstances** require that you return Direct Loan funds by check, you must –

1. make the check payable to the U.S. Department of Education;
2. use a separate check for each award year;
3. note the school's D-U-N-S number, Direct Loan school code, and award year on each check; and
4. provide the information included on the *Direct Loans Return of Cash* (found at the end of this chapter) with each check.

The address for returning Direct Loan funds by check is:

**U.S. Department of Education  
Attention Direct Loans  
Refunds of Cash  
P.O. Box 9001  
Niagara Falls, New York 14302**

The address for returning Direct Loan funds by check overnight requiring signature is:

**U.S. Department of Education  
Attention Direct Loans  
Refunds of Cash  
2429 Military Road, Suite 200  
Niagara Falls, New York 14304**

Phone number for tracking form only:  
**716-284-2225**

For questions about this announcement or returning Direct Loan funds via a paper check, contact the COD School Relations Center at 800/848-0978.

Unless otherwise directed by the FADL or FPRD letter, a school may not adjust its prior-year FISAPs or Federal Pell Grant/Iraq Afghanistan Service Grant processed payment information to reflect expenditures disallowed as a result of an audit or program review. Also, unless specifically instructed by the Department, a school should always repay funds using the appropriate function in G5.

## Returning funds after 240 days

*In all cases, a school will have to request permission to make a change to the FISAP after December 15 following the close of the award year.*

If FSA Grant funds (other than FSEOG and Iraq, Afghanistan Service Grants) must be returned after 240 days, a school must:

- enter the student's revised Pell Grant award in COD;
- return the funds to the Department through G5, if applicable; and
- make the appropriate change to the FISAP.

Note that for Pell funds from a prior award year, a school may not use the funds for an eligible student in the current year.

If FSEOG funds must be returned after 240 days, a school must:

- enter the student's revised FSEOG award both in the individual student's account and the school's FSEOG ledger;
- either return the funds to the Department through G5 OR carry them forward to the next award year; and
- make the appropriate change to the FISAP.

If Perkins Loan funds from a prior award year must be returned after 240 days, a school must:

- reimburse its Perkins Loan fund;
- report those funds as income in Part III, Section A of the FISAP; and
- reduce the student's Perkins Loan balance and make an accounting entry to tie that reduction to the journal entry for the aforementioned reimbursement of its Perkins Loan fund.

The school should not make any changes to the student's Perkins promissory note.

If a school cannot locate a student to whom it owes FWS funds the student has earned, the federal portion must be returned to the school's FWS account. If the student comes back or the school later locates the student, the school can recover the FWS funds as long as the account for that year is still open. If the account is closed, the school must pay the student (under the wage and hour laws) using its own funds.

### ***Returning funds from FFEL loans purchased/serviced by the Department***

From August 2008 through September 2010, The Department purchased Federal Family Education Loan (FFEL) Program loans from FFEL loan holders. The Department has contracted with five organizations to provide loan services on these purchased FFEL loans.

If a school is required to return any portion of a FFEL Program loan that has been purchased by the Department, the money would be returned to the appropriate Federal servicer for that loan.

To identify the current servicer of an FSA loan, access NSLDS and select "Aid." Then identify the student and select "Loan History." Under Loan History, the current loan will be listed at the top. Use the field "Servicer" to identify the organization to which you will be returning funds. Additional contact information for the loan servicers is available on IFAP under the "Help" menu ("Contact Information" / "Service Centers for Schools," / "Loan Service Centers for Schools."

### ***Returning Direct Loan funds***

If a school is required to return DL funds to comply with a regulatory or statutory requirement, even if more than 120 days have elapsed since the disbursement date, the school must return DL funds through G5. The school returns DL funds to the Department following the same procedures the school follows when making other G5 refunds/returns.

#### **Information required when returning loan funds to a servicer by check**

If you cannot use the electronic process preferred by the loan's servicer and must return the funds with a paper check, together with your check for the funds you are returning, you must include, **on school letterhead**, the following information:

1. The borrower's name,
2. The borrower's social security number,
3. The loan's unique CommonLine ID,
4. The type of loan (subsidized, unsubsidized, PLUS, etc.),
5. The period for which the loan was certified,
6. The scheduled and actual date of the disbursement,
7. The amount of the disbursement,
8. The amount being returned,
9. The reason the funds are being returned (cancellation, overpayment, withdrawal, or failed to begin class),
10. The school OPE ID, and
11. The name and phone number of the school official returning the funds.

## Direct Loan Refunds of Cash

**1. Enter the information below. Missing information may prevent your check (or checks) from being processed correctly.**

School Name: \_\_\_\_\_ Direct Loan Code or OPE ID: \_\_\_\_\_

Name/Title: \_\_\_\_\_ Telephone #: \_\_\_\_\_

E-mail Address: \_\_\_\_\_ Servicer (if applicable): \_\_\_\_\_

Check Date: \_\_\_\_\_ Check #: \_\_\_\_\_ Amount: \_\_\_\_\_

**2. Check ( ✓ ) the award year for which you are returning Direct Loan Refunds of Cash. If you are returning funds for more than one award year, you must enclose a separate transmittal sheet and a separate check for each award year.**

2011/2012	_____
2010/2011	_____
2009/2010	_____
2008/2009	_____
OTHER (specify year)	_____

**3. Sign and date below.**

Contact's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**4. Mail completed transmittal sheet(s) and Direct Loan Refunds of Cash check(s) to:**

Regular Mail/No Signature Required	Overnight Address/Requiring Signature
U.S. Department of Education Attention: Direct Loan Refunds of Cash P.O. Box 9001 Niagara Falls, NY 14302	U.S. Department of Education Attention: Direct Loan Refunds of Cash 2429 Military Rd, Suite 200 Niagara Falls, NY 14304 (Phone number for tracking form only: 716/284-2225)



# Information Required when Referring Student Overpayments to Debt Resolution Services

## Student Information

Name (Last, First, MI): \_\_\_\_\_ Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Social Security Number: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

If the overpayment includes an Academic Competitiveness, National Smart Grant, or TEACH Grant, enter the Award Identifier (ID) used when the award was created in COD.

ACG Award ID: \_\_\_\_\_ National Smart Grant Award ID: \_\_\_\_\_

TEACH Award ID: \_\_\_\_\_

## Parent/Spouse Information

Name (Last, First, MI): \_\_\_\_\_ Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

## School Information

If your Pell Reporting ID is different than your Pell Attended ID, please provide both. Otherwise, just report the Pell Attended ID.

Reporting School's Pell ID Number: \_\_\_\_\_ Attending School's Pell ID Number: \_\_\_\_\_

**If your school does not have a Pell ID, Enter your OPE ID:** \_\_\_\_\_

Name of Contact: \_\_\_\_\_ Telephone Number: \_\_\_\_\_

## Disbursements and Repayments

	Pell Grant	ACG or National Smart Grant (Specify)	Iraq Afghanistan Service Grant	FSEOG <sup>1</sup>	TEACH Grant
Award year in which overpayment was disbursed:	_____	_____	_____	_____	_____
Total grant disbursed:	_____	_____	_____	_____	_____
Dates of disbursement: (Must match NSLDS overpayment record)	_____	_____	_____	_____	_____
Overpayment amount owed by student *	_____	_____	_____	_____	_____
Total grant repaid by student to school, if any:	_____	_____	_____	_____	_____
Date of last payment to school, if any:	_____	_____	_____	_____ <sup>1</sup>	_____

<sup>1</sup> If using individual or aggregate matching, report federal share only. Otherwise report total FSEOG.

\* If the overpayment is the result of a withdrawal, provide the date of the withdrawal / /

If the overpayment is **not** the result of a withdrawal, please provide a brief explanation of the reason for the overpayment.

\_\_\_\_\_  
\_\_\_\_\_

SEND INFORMATION TO ➡ Student Loan Processing Center-Overpayments  
P.O. Box 4157  
(903) 454-5398 ⬅ FAX Greenville, Texas 75403